



GENERAL ASSEMBLY OF THE STATE OF TENNESSEE FISCAL REVIEW COMMITTEE

320 Sixth Avenue, North – 8th Floor
NASHVILLE, TENNESSEE 37243-0057
615-741-2564

Rep. Charles Curtiss, Chairman

Representatives

Harry Brooks	Mary Pruitt
Curt Cobb	Donna Rowland
Dennis Ferguson	David Shepard
Frank Niceley	Curry Todd
Craig Fitzhugh, <i>ex officio</i>	
Speaker Jimmy Naifeh, <i>ex officio</i>	

Sen. Don McLeary, Vice-Chairman

Senators

Mae Beavers	David Fowler
Jim Bryson	Steve Southerland
Steve Cohen	
Douglas Henry, <i>ex officio</i>	
Lt. Governor John S. Wilder, <i>ex officio</i>	

FISCAL REVIEW COMMITTEE QUARTERLY REPORT FOR THE PERIOD ENDING DECEMBER 31, 2005

Higher education governance and accountability.

The Committee has conducted an ongoing review and analysis of fiscal management and controls at the University of Tennessee, dating back to the controversy involving former president Dr. John Shumaker. This issue was the subject of hearings in the Summer and Fall of 2003. In addition to financial practices at the University, in particular the President's office, the Committee has advocated greater transparency and accountability in financial dealings of the University of Tennessee Foundation, and foundations for institutions of public higher education in general. The concerns of the Committee and other members of the General Assembly led to the passage of legislation in 2004 requiring stronger financial controls and accountability of governing bodies in public higher education in Tennessee.

On November 16, 2005, the Committee held a hearing on changes in financial practices by the University of Tennessee Foundation. Dr. John Petersen, President of the University of Tennessee, Mr. Jim Haslam, President of the University of Tennessee Foundation, and Mr. James Murphy, Chairman of the University of Tennessee's Ad Hoc Committee on the Foundation, testified concerning changes to the Foundation's activities. The University President has been given veto power on any action of the Foundation that might create a problem for the University; gifts to the Foundation will be kept confidential only upon request of the donor; the practice of routing donations to the University through the Foundation has been discontinued; and the Foundation's code of ethics has been amended to conform to ethical requirements for other state agencies. In addition to the President's veto power, activities of the Foundation and the University's

Board of Trustees will be coordinated so that the Foundation's actions further the Board of Trustee's goals for the University.

Implementation of safety net for TennCare disenrollees.

The Department of Finance and Administration reported on implementation of the "safety net" for persons removed from the TennCare program. According to the Department, 191,000 disenrollees have received prescription drug cards offering discounts of 10-15 percent on selected brand name drugs and 50 percent on selected generic drugs. As of October 26, 2005, almost 250,000 prescriptions had been filled. Two drugs commonly prescribed for bipolar disorder have been added to the list of approved drugs. Funding has been made available to county health departments for expansion of facilities and personnel, but no information has been provided on increased access to health care through county health departments. The safety net has been expanded to include coverage for continuation of chemotherapy, insulin and diabetic supplies, and transplants.

State revenue estimates and lottery revenue estimates for FY05-06 and FY06-07.

The Committee staff presented revenue estimates for State revenues and the Tennessee Education Lottery to the State Funding Board on November 30, 2005. Based on analysis of trends in revenue and historic collection patterns, the staff conservatively estimates that total state revenues will be \$10,104,574,000 in FY05-06, an increase of 4.83 percent over FY04-05, and that total state revenues will be \$10,501,784,000 in FY06-07, an increase of 3.93 percent over the projection for FY05-06.

The Committee staff conservatively estimated that lottery revenues (net of the value of tickets awarded as prizes) will be \$842,023,458 in FY05-06, an increase of 6.86 percent over FY04-05, and that revenues will be \$855,495,834 in FY06-07, an increase of 1.60% over the projection for FY05-06. The staff estimates that net lottery proceeds for scholarships and other purposes will be \$235,766,568 in FY05-06 and \$239,538,834 in FY06-07.

Non-Competitive contract review.

The Committee, through the Contract Services Subcommittee, reviewed and commented on 23 proposed non-competitive state contracts and contract amendments with a term of more than one year and a cumulative value of at least \$250,000. Included were extensions of the eight TennCare managed care organization (MCO) and three behavioral health organization (BHO) contracts. The Committee approved extensions of the MCO contracts through December 31, 2007 (with the exception of UAHC, formerly OmniCare, which retained its June 30, 2006, expiration date). The

Committee approved extensions of the BHO contracts through December 31, 2006, for two contracts and June 30, 2007, for one contract. The Committee also reviewed and approved changes to the TennCare "safety net" contract with Express Scripts, Inc., to provide extended prescription drug benefits through June 30, 2006.

Other contract areas reviewed by the Committee included medical education, health, and mental retardation services. The Subcommittee expressed continued concern about failure of state agencies to submit contracts for review in a timely manner.

Other activities.

The Committee staff also analyzed nine audit reports of the Comptroller of the Treasury for repeat audit findings, pursuant to Tenn. Code Ann. § 3-7-113. On December 14, the Committee held a hearing on repeat audit findings of the Tennessee Wildlife Resources Agency and heard testimony from the Agency on steps that will be taken to correct the findings.

If you need copies or additional information concerning any of the above matters, please let us know or contact James W. White, Executive Director, at (615) 741-2564. We appreciate the cooperation provided by the various state entities during the review process.

JWW:mp